



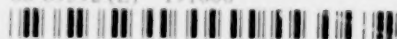
Security Council

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Note verbale dated 16 October 2000 from the Permanent Mission of Angola to the United Nations addressed to the President of the Security Council

The Permanent Mission of the Republic of Angola to the United Nations presents its compliments to the President of the Security Council of the United Nations and has the honour to request that the annexed document entitled "The strategy of the Angolan Government against conflict diamonds and trade in illicit diamonds" be circulated as a document of the Security Council.



**Annex to the note verbale dated 16 October 2000 from the
Permanent Mission of Angola to the United Nations addressed to
the President of the Security Council**

**The strategy of the Angolan Government against conflict
diamonds and trade in illicit diamonds**

October 2000

I - INTRODUCTION

The resurgence of internal conflicts in some African diamond-producing countries, as well as the possibility of this mineral resource financing the activities of some armed groups has meant that from 1999 onwards the international community has grown increasingly concerned with the proliferation of so-called "conflict diamonds". Angola, the Democratic Republic of the Congo and Sierra Leone have hitherto been considered the primary sources of conflict diamonds. According to world diamond statistics it is commonly recognised that the entire conflict diamond trade amounts to approximately 4% of the total world diamond trade. Although Angola is by far the largest diamond producer of the three "conflict diamond nations", UNITA's contribution must now be categorised as virtually nil. This fact leads us to take issue with the assumption that Angola is a source of conflict diamonds.

Our Government believes today that, as a result of measures already taken, "conflict diamonds" are no longer to be found in Angola. Various factors sustain these findings; namely the military collapse of Unita rebels during 1999-2000.

During that period this organisation has lost control over all their traditional provincial strongholds (Jamba, Bailundo, N'harea, Andulo etc.) The rebels no longer maintain a standing army capable of controlling and exploiting any significant mining regions at all. The exploration of any diamond area requires the creation of a minimum degree of stability and the presence of occupational troops. The hit and run tactics of Unita mean that they are in a state of permanent mobilisation, in order to avoid direct confrontations with Government military units, rendering them incapable of keeping a mine in production.

**II - MEASURES ADOPTED BY THE ANGOLAN GOVERNMENT REGARDING
UN SANCTIONS AGAINST UNITA**

After the Angolan Armed Forces regained control of the whole country at the end of 1999, the Government of Angola effectively managed to implement measures, approved at the beginning of the same year, in order to respond to both the preoccupations of the international community to prevent conflict diamonds being produced and commercialised in Angola.

At the same time it introduced reforms into the diamond sector all over the country, with the aim of maximising the State's income.

- **ESTABLISHMENT OF A SINGLE CHANNEL FOR THE COMMERCIALISATION OF DIAMONDS UNDER DECREE No. 7-B/00 AND LAW No. 16/94**

In order to achieve this objective the Government of Angola established the Angolan Selling Corporation (Ascorp). Ascorp is a joint venture with foreign investors, in which the Government, through Sodiam, holds 51% of shares. Diamonds produced in Angola are commercialised on the world market in this way.

- **REDUCTION OF LARGE CONCESSION AREAS UNDER DECREE No. 7 - A/00 OF 11th FEBRUARY**

The inter-ministerial commission, established under Resolution No. 21/99 to control the implementation of Government measures is responsible for the re-negotiation of various diamond concessions all over the country. This policy does not intend to restrict or infringe the rights of private companies investing in Angola, but to redraw the dimensions of the country's diamond concessions in order to make their exploration more profitable. It intends to improve control, free space and create opportunities for new investment on the part of Angolan and foreign mining companies.

- **FIRST EVIDENCE OF SUCCESS**

The logic behind the establishment of a single channel for the commercialisation of Angola's entire diamond production may not at first sight be understood by some mining operators, appearing to be contrary to normal free market competition.

However, statistics concerning the commercialisation of diamonds by Angola through this single channel reveal that there has been a significant increase in revenue to the State. Moreover, it has contributed in a significant way to stopping the illicit trade in diamonds, and consequently "conflict diamonds". Cancelling certain existing trading licences, in which owners

were unfairly competing against one another, and evading payment of taxes to the State has allowed us to commercialise diamonds, at the going international market rate, and the State has reaped its just rewards. The income generated, as well as the profits from Ascorp's work are earmarked to be invested in the industrialisation of the country, as the Government is conscious that diamond reserves will eventually be exhausted, given that they are a non-renewable resource.

In this way a Special Body for Inspection and Security of Diamonds (Guichet Unico) created in April 2000, in collaboration with Ascorp, adopted a series of measures to realise the Government's objectives: the following are the most important:

- Certificate of origin: The most up-to-date technology available has been employed to design certificates of origin for all diamonds exported legally from Angola. The printing technology and method, as well as the export procedure itself have been thoroughly overhauled by experts in the field.
- Confirmation of import: The "confirmation of import" formality doubly ensures that any given Angolan diamonds have been exported legally. Communication lines are maintained with the country of destination and monitoring has been improved. The documentation from the country of destination confirms that the diamonds have been dispatched to the recipient specified in the export documents. This provides a double safety feature to the export and regulation procedure.
- In addition to the "confirmation of import" system providing a routine two-way line of communication between Angola and the foreign regulatory bodies, bilateral contacts have been established with the High Council of Diamonds (HRD) in Belgium. The HRD has worked closely with Ascorp and the Angolan Ministry of Geology and Mines to establish a standard level of communication, whereby the import of Angolan diamonds to Belgium may be efficiently regulated and monitored.
- Packaging and sealing: Essential to the improved export procedure is an improved standard of packaging and sealing goods in transit between Angola and their foreign destination. This system is virtually tamper-proof.

- The credential system: The cornerstone of the reform of the diamond sector is the sophisticated credential system that is being implemented in Angola. The objective is to provide a real-time information system based on bar-coded identity cards. These allow Ascorp to efficiently monitor and assess day-to-day activity in the diamond sector.

All of the following key individuals must have credentials:

- Official Ascorp buyers
 - Authorised Ascorp administrative personnel
 - Authorised security personnel
 - Authorised mining personnel
 - Authorised Government personnel
 - All artisan explorers and miners
 - All relevantly involved authorities
- The Guichet Unico: This single and unified security force has been created and empowered to police the diamond sector. This was deemed necessary because control of the diamond sector falls under the aegis of a large number of Government bodies. Guichet Unico ensures a more effective and co-ordinated policing of Angola's new diamond policy. The Guichet Unico is thus composed of all bodies that are instrumental to the Government's plan to combat illegal diamond traffic, namely: The National Criminal Investigation Service, The Attorney General's Office, the National Immigration Service, the Customs Authority Police Division, Fiscal and Border Police, the Rapid Intervention Police Force, and the Economic Police.
 - Again within the scope of the implementation of this strategy experienced international consultants have been contracted to advise on methods to tighten up physical security at Angola's various airports and borders.

III - INTERNATIONAL INITIATIVES

The Government of Angola, while pursuing a determined process of internal reform, is also working to develop a series of international initiatives in order to divulge its strategy, create synergies and co-ordinate joint action. In this respect we particularly wish to mention the following:

- The visit of Ambassador Robert Fowler to Angola paved the way for a rewarding collaboration between Angola and the UN, as established in point 16 of Resolution 1295(2000).
- The UN Sanctions Committee appointed a high-level official, Mr Mollander, to follow-up and assess the nature and extent of the problem of "conflict diamonds" in Angola.
- Following the meeting in Kimberley, Angola hosted a meeting for the international work group that is dedicated to resolving the illicit diamond problem. Inter-ministerial conferences have since been held in Angola, South Africa and Namibia. The Government remains committed to all efforts and initiatives that lead to a long-term solution to the problem of illicit and conflict diamonds.
- The Angolan Government is seriously interested in safeguarding progress achieved as a result of initiatives led by the Commonwealth and the UK Foreign Office, namely Mr. Peter Hain's official visit to Luanda, as well as Mr. Paul Heinbecker's visit to Angola.

IV - FUTURE OBJECTIVES FOR THE REFORM OF ANGOLA'S DIAMOND SECTOR

The medium to long strategy of the Government is to eliminate the informal diamond market. In order to achieve this objective, the Government intends to legalise the activity of diggers ("garimpeiros"), using a system of credentials. The diggers will, in consequence, become artisan miners and will pay any taxes due to the State.

For the Government of Angola the digger and the dealer are not the same thing. For this reason it is felt that policies for the informal diamond sector

should be based on, on the one hand, organisation, formalisation, regulation and taxation of the activities engaged in by artisan miners, and on the other hand, the combat against existing dealers.

The Guichet Unico with the support of Ascorp plan to register the diggers in the various diamond producing areas. Registered diggers (artisan miners) will be given the opportunity to apply for an official Ascorp "Artisan Explorer's Licence". Their production will be bought, exported and marketed by Ascorp.

In the diamond producing areas only individuals who have been issued with a credential by the Guichet Unico will be authorised to operate.

Every diamond buying office will have a barcode reader. The reader will automatically identify a client or artisan explorer with a credential when he presents his card. The Ascorp buyer will enter their data into a database including the weight, characteristics and value of the diamonds in question. The data will be updated on a regular basis and stored on the central Ascorp database in Luanda, thus enabling Ascorp to control diamond trading, etc.

• DEALERS VS THE DIGGERS

There is a truth that hides behind the illegal trade in diamonds, which makes it into a scenario in which dealers maintain an economic stranglehold over cheap labour in the diamond producing areas of Angola. The dealers provide diggers with mining equipment, food, security, fuel and the general logistics required to maintain artisan-mining ventures in production.

Unfortunately for the diggers, who are the indigenous people of these diamond-rich areas, the dealers impose a heavy workload and grossly underpay them. The nature of the work is not only physically exhausting but also highly dangerous – diggers routinely lose their lives while working. The diamonds produced in this way are then smuggled out of their countries of origin by the dealers; evading payment of export duties and taxes in the process.

These dealers, originating from foreign countries, proceed to organise international smuggling and trafficking rings that often finance the purchase of weapons and supplies for African rebel groups.

By their very nature these dealers, together with the links that they maintain with powerful financial and economic groups interested in destabilising legitimate governments, cause immense damage to the diamond-producing nations, introducing the people resident in the mining zones to new habits and encouraging them to plunder the diamond reserves.

From the monitoring that the Angolan Government has carried out the following facts are worthy of note:

- Intermediaries (dealers), dominate the illicit trade, and control commercialisation channels.
- The intermediaries can be characterised as follows:
 - They are wealthy or represent the interests of powerful financial groups;
 - They have easy access to logistic supplies;
 - They are easily able to hire planes
 - They easily slip across frontiers illegally;
 - They easily make overseas contacts in order to sell diamonds.
- The diggers are poor people, a lot of them die in mining accidents, and benefit very little from this activity, as opposed to the dealers;
- Taking the dealers out of the informal trafficking business rings leaves the diggers exposed and as such the State will be able to rehabilitate them, using the system of registration and the credential;
- The dealers and the rebel groups are supported by highly organised powerful international groups, who have great political and financial backing;
- Under the guise of normal participants the groups that support the rebels and the dealers participate regularly at international forums on conflict diamonds.

• CREDENTIALS

The physical credentials are plastic credit-card sized badges. There are three types of credentials:

1. The Ascorp staff credential (two horizontal blue lines across the badge)

2. The Ascorp security staff credential (two red lines and the word "SECURITY")
3. The artisan explorer or Ascorp Client credential (original)

The front of the credential features the logo and a photograph of the cardholder; text boxes containing the name, the category, the number of identity card or passport, and the expiry date.

The back of the credential is the same for three types of credentials and features:

- a barcode
- the credential number
- a reference to credential rules as they appear on the credential application form.

The efficient management of the credential system, coupled with the synergistic collaboration with the Guichet Unico, will ultimately marginalise any remaining UNITA runners.

The Angolan Government is not under the illusion that the illicit diamond problem will be totally eradicated. The reforms that are being implemented by Ascorp have, however, already vastly improved diamond-derived government revenues. We are confident that a level of control will soon be attained which will reduce to trifling quantities the number of diamonds circulating outside the control of our Government.

V - CONCLUSIONS

With the measures adopted by the Angolan Government, in the domains of institutional, entrepreneurial and legal reinforcement conditions have been created for the stabilization of the diamond sector in Angola. We conclude that:

- With the establishment of the Guichet Unico the illicit trade in diamonds is being reduced gradually but significantly;

- The application of Decree No. 7-A/00, which reduces the diamond concession areas, has had positive effects on the reduction in this illicit trade;
- The implementation of these measures, which are part of the Angolan Government's strategy, aims to end the informal market and transform the diggers "garimpeiros" into artisan miners, through registration and the issuing of a credential;
- The end of informal market will strengthen the combat against the illicit diamond trade and conflict diamonds;
- The establishment of a single channel of commercialisation has meant that there is greater control of the commercialisation channel and a substantial increase in revenues reverting to the State;
- Although the Angolan certification process is credible and satisfies the demands of the Angolan Government and of other international Institutions, such as UN, HRD in Antwerp, etc., the Government is committed to further improving the certification system.

VI - RECOMMENDATIONS

The Angolan Government is fully aware of the role which the international community can play in the eradication of illicit and conflict diamonds. It favours a concerted approach in reaching a mutual understanding on this issue. To be effective these international efforts and initiatives must be based on national and regional experience.

Angola continues committed to promoting reconciliation and furthering collaboration with other Countries to bring legislation into line, especially on issues related to taxation, and procedures that make the export of diamonds secure.

The success of the efforts of the International community in the fight against conflict diamonds and illicit trafficking will depend a lot on the adoption of the following measures, amongst others:

- Adoption of a transparent international certification system, based on national experience, for the development of the rough diamond trade, in order to prevent conflict diamonds and those derived from illicit trade gaining access to world markets;

- The identification of international groups and institutions which support the dealers and armed rebels, as well as the dealings between them;
- There is a need for conflict diamonds and illicit trading to be given equal treatment.